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Diversity or Divide? In Search of Flexible Specialization in the UK Television Industry**

Competitive pressures are driving firms in many industries towards more flexible organizational forms. In particular, stable, vertically integrated organizations are being challenged by those drawing together resources in unique, 'flexibly specialised' webs or 'networks'. Some analysts suggest that the growth of network organizations marks a major 'industrial divide' and that, with the decomposition of mass markets, organizations based upon the principles of economies of scale are no longer viable. This paper questions the interpretation of the flexible specialization thesis as a production paradigm via an examination of the UK television industry. In particular, the diversity of emerging organizational forms in UK television is explored by presenting flexible specialization as a 'mode of production' which can manifest itself in a diversity of organizational models. As a result of such analysis, it is concluded that emergent forms of organization in television are not subject to any one particular categorization, and indeed that to search for a dominant production paradigm is counter-productive.

Der zunehmende Wettbewerbsdruck zwingt den Unternehmen in vielen Branchen immer flexiblere Organisationsformen auf. Besonders vertikal integrierte Organisationen spüren den Konkurrenzdruck jener Unternehmen, die ihre Ressourcen in einzigartigen, "flexibel spezialisierten" Netzwerken organisiert haben. Eine Reihe von Experten sehen im Aufstieg der Netzwerkorganisation eine neue und bedeutende industrielle Wegschneide. Mit der Zersetzung der Massenmärkte seien dieser Ansicht nach Organisationen, die nur auf dem Prinzip des wachsenden Grenzertrags operieren, nicht mehr wettbewerbsfähig. Im vorliegenden Beitrag hinterfragen wir diese Interpretation der These der flexiblen Spezialisierung als Produktionsmodell anhand einer Studie des Fernsehmarktes in Großbritannien. Wir erklären die Vielfalt der hier entstandenen Organisationsformen, indem wir die flexible Spezialisierung als Produktionsform präsentieren, die in verschiedenen Organisationsmodellen vorkommen kann. Ergebnis der Analyse ist, daß die entstandenen Organisationsformen im Fernsehmarkt nicht kategorisch eingeordnet werden können. Mehr sogar noch: die Suche nach einem einheitlichen Produktionsmodell erscheint unangemessen.

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With current difficulties in sustaining mass markets, many analysts contend that we are now entering a period of industrial transition wherein we are crossing a 'second industrial divide'. Influential writers such as Piore and Sabel (1984) have sought to explain the disintegration of mass markets through the concept of 'flexible specialization', with the standardized process of mass production superseded as organizations seek to produce for differentiated and dynamic market niches. However, the concept of flexible specialization has been much maligned, not least because organizations geared towards mass production are apparently still dominating many industrial sectors. In order to address such criticism, this paper draws a distinction between flexible specialization as an emerging dominant *mode of production*, and as a final *organizational form* both reflecting different relationships between production and supplier functions, and contingent upon varying forms of ownership structure and *degrees of commercial freedom*. Such analysis contributes to our understanding of the diversity of flexible production in an increasingly important industrial sector – the television industry – whose outputs are now widely conceptualised as part of the basic software of the multimedia revolution. Many contemporary organizational forms co-exist in UK television. As a consequence, the creative and idiosyncratic nature of programme production may offer valuable insights for other sectors where production is becoming more innovative and craft orientated. Because flexible production also rests on the existence of viable production partners, the sustainability of various forms of flexible production also need to be explored before the wider implications for restructuring and organizational theory and practice can be investigated.

Industrial Divides & Flexible Specialization

In their influential study, *The Second Industrial Divide*, Michael Piore and Charles Sabel (1984) argue that we are currently effecting a transition from organizations based upon vertical integration and inflexible technologies, towards a new organizational mode of 'flexible specialization' based upon vertical disintegration, flexible organization, flexible technologies, and economies of scope rather than of scale. Such a change presages an 'industrial divide'; a moment when the previous logic of organizational and technological development is being challenged. This conclusion is based upon a growing body of research that depicts economic development as a series of experiments in organization in which major organizational innovations are followed by periods of expansion which inexorably 'culminate in crises signalling the limits of existing arrangements' (Piore/Sabel 1984: 4).

There has been criticism of the flexible specialization thesis, regarding both its empirical validity and its conceptual framework (Kennedy/Florida 1993; Pollert 1987). Such criticism has resulted in the interpretation of flexible specialization as a 'production paradigm, in addition to considerable debate as to whether large scale or small units of production are most appropriate (Harrison 1994), and indeed whether market, hierarchy or hybrid organizational forms offer the most effective

organizational form building on the work of Williamson (1975; 1985). Such debate is often sterile in that it fails to take into account the distinction between the 'structure of production' and the 'structure of ownership' (Marsden 1990: 225). As a consequence, a rigid interpretation of flexible specialization results in a theory with little explanatory power, but perhaps worse, gives the impression to practitioners that there is a definitive organizational solution.

Flexible specialization can be thought of at two levels; the way in which production itself is organised at the point of production, and the institutional framework which supports the organization of production and markets, so influencing the competitive environment. The work of Piore and Sabel combines both firm-specific organizational issues and wider socio-political development into a single conceptual framework. This latter dimension is often neglected, however, when their theory of flexible specialization is applied. Kenney and Florida (1993) stress that, for firms, the fundamental issue is restructuring at the point of production to develop and sustain the organizational forms that maximise productivity and innovation. The combined requirement for both efficiency and creativity in more and more industries is well documented (Badaracco 1991; Hamel, et al. 1989). However, institutional factors and competitive factors influence the ability and scope of a given firm to 'choose' its organizational form. Salais and Storper (1992: 169) highlight the diversity and the heterogeneity of production methods found in firms, and question the notion that any one mode of production will dominate across industries. They emphasise the important interaction between product qualities, the market, technology and the production process.

The New Competitive Landscape

Within the flexible specialization scenario, production is the sum of the aggregate output of many specialised firms coming together in dynamic networks that can be responsive to changing market conditions (Aldrich/Whetten 1981). New technologies, and in particular information technology, are an essential pre-requisite to knowledge-driven networks capable of operating both within and across firm boundaries (Child 1987). Networked organizational forms draw together individuals and firms via contractual arrangements only as and when necessary. The attraction of the network model is that, in aggregate, it can accommodate far more productive capability than an individual firm, whilst maximising the specialised competence of each of its component players (Miles/Snow 1986). This has important implications for organizational analysis in those sectors where these forms are prevalent, where:

... distinguishing the boundaries of organizations in terms of discrete physical infrastructures, and the legal parameters of their individual component players, clearly no longer provides a valid means of organizational analysis ... [as] ... it is only when the range of specialists are brought together in the production *process* that 'organizations' in the more traditional sense can be viewed in operation. (Barnatt 1995: 71).

As well as being faced with transition at the organizational level, it has been suggested that we are now also entering a period of convergence wherein many industrial, national and cultural delineations are being called into question. Kumon, for example, argues that we are entering a third phase of industrial development based upon a 'Game of Wisdom', wherein knowledge, rather than financial or military might, will render the ultimate source of power (Rheingold 1994). However, the development of ideas, and the storage and delivery of their potential, is still resource dependent if one looks at the emerging literature on organizational learning and in particular transformative and absorptive capacity (Garud/Nayyar 1994; Cohen/Levinthal 1990). This said, whilst it is important to acknowledge 'new age' forces of complexity, convergence and transition, it is equally important that such acknowledgement does not negate the significance of attempting to explain organizational change and its diversity within the fluxional industrial environments such forces catalyse. As Best (1990) states, the inter-relationships between firms alters the dynamics of sectors and of the economy as a whole. Firms have had to re-adapt to survive, in order to reconcile efficiency and innovation in a climate of 'information complexity' and 'resource scarcity' (Lawrence/Dyer 1983).

TV Production Structures

In the UK television industry, production structures have traditionally been based upon technical, creative and facilities experts interacting at the project level (Tunstall 1993; Curran 1979). However, the organizational context for this flexible production has been within large vertically integrated organizations. Prior to 1982, the television industry within the UK was based upon a duopoly of vertically integrated organizations in the form of the British Broadcasting Corporation (the BBC) and the independent television companies (ITV). The majority of the production flexibility within these organizations was achieved with internal reconfigurations of personnel, although some external parties, mainly in the form of creative staff such as actors and writers, were introduced on an ad hoc basis. This offered limited numerical and functional flexibility. However, more recently, new entrants to the market have encouraged a greater emphasis on utilising external resources. As a result, we have begun to witness a shift away from purely internal labour markets, towards a more occupationally-oriented labour pool at an industry rather than an organizational level.

In the programme production industry, there is now a complex diversity of independent production firms of varying size, age and viability. In addition to the traditional BBC and ITV companies, there are also now a myriad of specialised service providers within the market, as well as several new large-scale producer-broadcasters. None of these firms works in isolation, however, with a dynamic nexus of contracts linking collaborative partners via co-production agreements and publisher-broadcaster commissions. A complex mix of dis-integration and re-integration has been prompted by increased competition and uncertainty. British broadcasting was built on an ethos of public service broadcasting with most

programmes being developed, produced and broadcast in-house by either the BBC, or ITV, and available to anyone who owned a television set. Today, a combination of deregulation, reregulation, and technological innovation, has sparked a proliferation of broadcast capacity. The fragmentation of broadcasting supply has intensified competition for market share amongst and between terrestrial, satellite and/or cable companies (Curran/Gurevitch 1991: 194).

It is the growth of the independent production sector which may be seen as the harbinger of flexible specialization across firm boundaries (Robins/Cornford 1992; Barnatt/Starkey 1994). In the UK, the independent TV sector has grown from a handful of firms in the 1970s to at least 800 companies in the 1990s (Department of Trade & Industry 1994: 109). The two major factors that have directly contributed to this growth are both regulatory; the establishment of a new television channel, Channel 4, as a 'publisher-broadcaster', together with the 1987 Home Office decision to impose quotas upon the BBC and ITV Companies to source at least 25% of their programming from independent producers by 1993. However, these regulatory changes must be seen in the context of the wider technological, competitive and political forces. Indeed, technology acted as the catalyst for these regulatory changes by offering new distribution methods and more efficient production techniques. By the mid- to late-1980s, programme distribution technology had become more diverse, and had advanced to overcome the physical limitation of finite channel allocation across a fixed band of radio frequencies. New technological developments, such as satellite and cable, gave additional players the opportunity to enter broadcasting, as well as permitting the government the freedom to allow a greater diversity of distribution. The schedules of the established broadcasters were also extended. For programme producers, the fragmentation of supply offered the prospect of new opportunities for production as the actual number of hours of scheduling to be filled increased. From a broadcaster's perspective, the pressure has increased to provide a quality product more efficiently, prompting a review of production methods to achieve greater cost efficiency and flexibility.

The technological barriers to entry in programme production have been lowered by the reduction in the size and cost of the production equipment and an improvement in its reliability (Barnatt/Starkey 1994). Innovation offered established television producers the prospect of greater numeric, functional, and technical flexibility as a prerequisite to more flexible and dynamic production arrangements with external firms and specialist freelancers. It also made the provision of independent specialist facilities houses providing support services a viable option.

Satellite services offered the prospect of television which could transcend national boundaries. This raised for governments the practical issue of the feasibility and appropriateness of national regulation of broadcast services. These institutional issues of the appropriate mechanisms for the regulation of global industries and firms is an important element of the flexible specialization thesis, which has been described as part of the wider institutional school (Loveman/Sengenberger 1990). There are signs that these institutional issues are starting to be addressed through proposed new

rules on cross media ownership in the UK, as well as via Europe-wide initiatives to develop programme production (Commission of the European Communities 1994: 26). The structure of ownership is influenced not just by market factors, but additionally by wider political and socio-economic agendas. Perhaps most significantly, as Collins argues, national sovereignty remains a key issue in television, as experienced by Rupert Murdoch in relation to 'acceptable' content offerings from his Star Television satellite service in the Far East (Collins 1994: 162).

In the UK, in the early-to-mid 1980s, a new political ideology based on the supremacy of the market, and of consumer sovereignty, transformed a range of public services including telecommunications and the public utilities. This led to an ethos of de-regulation to allow greater competition, with market forces allowed to play a greater role in the allocation of resources. The prospect of the re-stratification of viewers into transnational groups offered the opportunity of specialist thematic services which are not viable on a national basis. Cable infrastructure now offers the potential of the delivery of television product upon the forthcoming hardware of the 'information superhighway'. Clearly, the implications of cabling infrastructures will have major application beyond the traditional television sector, in areas such as home shopping, home banking, teleworking and interactive entertainment. The government has therefore been anxious to promote investment in this infrastructure from a range of new entrants drawn largely from North America because of its strategic commercial significance (Cornford/Gillespie 1993). These political factors, combined with the need for competitive efficiency and innovation, coincided to act as a spur to regulatory changes in the 1980s and 1990s.

Programmes, Quality & Innovation

Programmes are the reason for the television medium. It is programmes which make people view. The key issue for the UK television industry since the expansion of broadcasting in the 1950s has been the cost effective production of quality programmes (Beveridge 1951: 104). Television programmes fulfil a wider cultural role. The value of the product to the consumer is based on its 'intangible symbolic meaning' (Collins et al. 1988: 7). Programmes are idiosyncratic both in their content, and in bringing together a unique production team and resource mix. Nevertheless, within that novelty there are recurring themes. Those concerned with programme production face demand uncertainty for specific programmes and intangible creative factors of non-price competition which create an upward pressures on costs, and a high emphasis upon R&D, development and quality (Collins et al. 1988).

Being responsive to consumer demand in the culture business is complex, high risk and uncertain. For example, the demand for quality drama is well known, yet meeting that need can be elusive – even with substantial investment – if the creative mix happens to fail. Thus, an allocation system based on consumer sovereignty is likely to be an imperfect signalling device of consumer demand. One of the features of programming is to widen people's experiences. As a representative from independent television put it in their evidence to the Pilkington Committee:

If people say that they know what they like they always mean that they like what they know; our job is to familiarise people with something that they have not had before (1962: 18).

The increasing importance of television production being innovation led, rather than being purely customer driven, can be paralleled with the success of Sony in the field of consumer electronics, or Ikea in the furniture retailing, as supported by the work of Hamel and Prahalad (1994). The high human resource input to television production leads to continual upward cost pressure and the need for production efficiency, a problem shared by many professional sectors such as education, legal services and health. Although the value chains of programme production and broadcasting are separate, the relationship between programme production and broadcasting is such that the scheduling of a programme can have a profound impact on its cost and performance (Collins, et al. 1988). From the broadcaster's perspective, reliability of supply to a quality product at an efficient cost encourages an evaluation of the flexibility and cost factors related to outsourcing, commissioning or in-house production respectively. Thus, vertical disintegration may generate substantial transaction costs (Williamson 1975).

The 1988 White Papers

The 1988 UK Government White Paper, *Broadcasting in the '90s: Competition, Choice and Quality*, championed independent producers as an important source of originality, efficiency, flexibility and competition. It proposed that there should be a greater separation between the various functions that make up broadcasting that have historically been carried out in one organization, i.e. a disaggregation of the value chain. Government policy, therefore, favoured an attack upon an 'excessive degree of vertical integration' in the BBC and ITV companies. Flexibility was to be achieved through vertical disintegration – as in the Channel Four model based upon contracting with independent programme makers – as an alternative to the inflexibility and bureaucracy of 'Fordist' mass broadcasting (Murray 1987). The political issue was to create a 'third way' for broadcasting 'beyond market and state monopoly' (Robins/Cornford 1992: 192).

The outcome of this legislation presents a mixed picture, and indeed production in UK television is still in a state of flux. However, the hybrid value-chain sharing of co-production or commissioned outsourcing sometimes entails considerable hierarchical control by the broadcaster. For example, a small independent producer acting on a freelance basis controls the production resources for the duration of the project, but the rights are then passed to the broadcaster providing no asset base from which to build. The BBC's compliance with independent sourcing quota includes putting out to tender established programmes to independents where the presenters and format are pre-specified (Davis 1991: 79). There are equally a number of large, extremely successful independents which have developed core-supplier status to the larger broadcasters and the resources generated from a flow rather than hand-to-mouth reliance on one-off projects.

The industry has experienced an influx of new entrants in terms of both distribution and programme production. In 1981, there were three television channels (BBC1, BBC2 and ITV) in the UK. A decade later, these had been joined by Channel 4 and more than 70 licensed cable and satellite channels. At a conservative estimate, by the year 2000 the majority of households will have access to at least 20 television channels – terrestrial, satellite and/or cable (BBC 1992). Faced with demand and competitive uncertainty from new entrants and competing multimedia applications, the television industry has become increasingly dynamic. The fight for control of the distribution channels is now showing signs of being replaced by the need to lock in to reliable sources of quality content. For example, cable channels are talking of the need to develop or buy original rather than packaged off-the-shelf material to retain subscribers.

Pfeffer and Salancik (1978) argue that the ability to obtain and maintain resources is crucial to a firm's survival. According to their analysis, it is uncertainty, rather than change, which is the problem when this involves a crucial aspect of inter-organizational interdependence. The international market of television production is shaped by political, cultural and economic forces. Uncertainty, they contend, can be improved by restructuring the organization, or by stabilising or restructuring its exchange relationship. Flexibility at the point of production has been sought internally within vertically integrated firms through flexible decentralisation, and via merger and acquisition to obtain better access to proven production facilities, as the case of Carlton's takeover of Central Independent Television, and through a more arm's length publisher relationship between independent producers and the broadcasters. In addition some producer/broadcaster relationships are pure market transactions with the broadcaster acting as 'packager' or wholesaler of market sourced content (Tunstall 1993). Thus, what appears to be emerging is a continuum of relationships from vertical in-house, to more collaborative co-production and publisher commissions, to purely market transaction-based packager relationships. This may be the transitional response to uncertainty, but the impact and effects of this emerging organizational diversity is likely to have implications for the programme production process.

Modes of Organization & Degrees of Commercial Freedom

The need for ongoing efficiency, quality improvements, and perpetual innovation, at the level of the firm has resulted in organizational change to achieve more flexible operating methods (Harrigan 1985; Ohmae 1989). One possible model of the dynamic network for television production is presented in *figure 1*, representing flexible specialization as a production mode.

Figure 1: A flexible television production network

The category of organization which may be associated with any particular dynamic network structure within the television industry will determine the nature and range of programme making activities actually undertaken by that network. In television, Tunstall (1993) makes the distinction between three categories of organization: broadcasters, publishers, and packagers. Broadcasters manage a fully vertically integrated range of production activities, ranging from the making of programmes right through to their transmission or other mode of customer supply. Publishers have far less (if any) direct involvement in programme making once they have commissioned a programme or series. They therefore act as broadcasters and editorial coordinators of programme material sourced from other firms. Finally, packagers have no involvement in programme making, and instead simply provide a broadcast service utilizing ‘off-the-shelf’ programme material, often from other broadcaster’s archive selections.

In addition to the above broadcaster/publisher/packager organizational classifications, a second dimension is also needed to more fully understand the forms of flexible specialization exhibited in UK television. This second spectrum concerns the level of regulation experienced by each organization, and which hence impacts upon their degree of commercial freedom within the marketplace. Within *table 1* we choose to illustrate three such levels. Operating under a high degree of regulatory control, we list public service broadcasters. At the other end of the spectrum we list commodity broadcasters, who experience a large degree of regulatory freedom within

their markets. Between these two extremes there exist various commercial service broadcasters subject to a medium level of regulatory involvement.

Table 1: Contexts of flexible specialization in television

It is suggested that the level of regulation (and hence commercial freedom) faced by any television organization influences or constrains the output which they must and can deliver, and their available sources of funding. In addition, the level of regulation also impacts upon the decision as to which programme material may be sourced in-house, may be commissioned from an independent producer, or may be bought off-the-shelf from a programme archive. For example, in this respect the BBC in its domestic services is a 'public utility broadcaster' financially constrained by the license fee, committed to providing services available to all, and providing certain types of output such as schools programming. At the opposite extreme, commodity packagers (such as cable or satellite channels) have access to a wide range of finance and revenue sources (including subscriptions, pay-per view and advertising), and are hence far less constrained in terms of their programme offerings. Commercial pressures may be higher for broadcasters acting as a commodity packagers, but the greater commercial freedom they enjoy increases the range of strategic options available to them. It is the interaction of the category of organization and together with the level of regulation under which it operates which will influence the reality of

its mode of production (effectively the genre of flexible specialization process employed) at the point where the quality of the product is defined.

The structure of the UK TV industry is based on the inter-relationship between the programme makers (producers), and the broadcasters (distributors). Whilst in the instance of the vertically integrated television organizations these are likely to be one and the same, a distinct producer/broadcaster delineation will exist in the case organizations categorized in the publisher mode. The different degrees of commercial freedom resulting from the varying levels of regulation faced by different broadcasters in the various television sectors impose different cost and scheduling implications. As a result, cost comparisons between them become not only problematic but misleading. The different organizational logic of each form of regulation influences the category of organization which is most appropriate for production. So, whilst flexible specialization may become the universal production mode, its precise form will depend on organizational and competitive factors such as the degree of commercial freedom and the competition from new entrants.

Internationally, new entrants combined with an increase in the television day have led to a saturation of programme supply in some domestic markets. They have hence intensified competition for domestic audiences, increased international competition, and attempts to increase the product life by repeats and syndication. The strategies of the large television producers have been to exploit strategies of scale and scope. The category of organization of the broadcaster in its production relationship will depend on the overall competitive conditions and the relative returns between the economies of scale and the economies of scope (Collins et al. 1988). It is therefore not surprising that a particular broadcasting firm might operate in several different domains of our model depending on the various different markets he is seeking to exploit and the different strategic capabilities which are sought.

Publishers & Independents

The success of the publisher approach to sourcing programmes was predicated upon the fact that programmes could be produced relatively cheaply in the independent production market because the independents did not have the overheads of large permanent staff and in-house technical facilities. There is much debate in the industry about whether this state of affairs is actually sustainable. The issue concerns the economics of a reconfiguring industry, and the balance of power between players in the production and broadcasting markets. Development costs emerge as a major factor, particularly within the ITV network, which, whilst the wealthiest broadcaster, is not prepared to fund development, and will only pay for programmes on delivery. Independent producers therefore come to be financially strained, especially as financiers insist upon the provision of a completion guarantee bond in addition to the funds actually required to make their programmes. In short, development costs are crippling small producers.

Typically, television broadcasters demand exclusive transmission rights for their territory in return for commissioning a project. As a result it is the broadcaster, and not the producer, who gains the income accruing to the exploitation of these rights. Independent producers, unless they have a secure asset base, therefore 'lurch precariously' from one commission to another. Indeed:

... the only independent producer who has total control over his programme is one wealthy enough to make the programme without pre-sale having been arranged. Anyone else has to take account of the needs of the purchaser (Lambert 1982: 152).

The power relationship between independent producers and the major broadcasters is therefore highly asymmetrical, leading to a view within the industry that the majority of independents will only survive if they expand very rapidly to achieve some bargaining power. To win contracts with broadcasters they will inevitably have to compete on cost grounds, and so will be under continuous pressure to keep costs down and to merge and amalgamate in order to reap economies of scale and to defray the risks of each production against an extended portfolio.

Unfortunately, for independents providing programmes to the BBC and ITV the situation is potentially far 'worse', as they find themselves submitting programme proposals to the very organizations with whose internal producers and departments they are in competition for resources. Independent producers may thus be extremely likely to starve themselves of cash in return for the security of the commission that ensures their survival. In light of the above, it is perhaps not surprising that some industry players argue that it is likely that only four or five independent production groups have the skills and resources to make them viable over even the medium term. What one is also seeing is consolidation in the production industry. In the words of one independent producer whose business had recently been acquired, the industry is ripe with 'rich pickings for the take-over brigade' (Sparks 1989: 29).

A spate of mergers/acquisitions has also occurred at a national level between previously regional ITV companies. Here the logic is driven by international strategic considerations, with UK TV companies too small to compete in the global programme markets unless they merge or cooperate. The Granada takeover of London Weekend Television in February 1994 was perhaps the first sign that larger ITV groupings are considered inevitable for global competitiveness, and now, with the additional merger of Carlton Communications and Central, two large players are emerging capable of dominating the ITV production network between them.

Merger activities within ITV may be seen as part of a broader picture with its own logic of scale. The end result may well be a dualistic structure in the global image business; American media giants globally dominant 'with national film industries in Europe supplying medium-to-low cost broadcast and canned national television entertainment' (Elsaesser 1988: 130). Mergers and acquisitions also go hand in hand with such disaggregation. This seeming paradox is resolved when one realizes that integration, through merger/acquisition, and the disaggregation of production, focus on different value chains.

In the television industry, independent production companies can compete alongside the major broadcasters as they can network with the appropriate specialised firms providing inputs such as pre-production services, set design and construction, electrical work, sound mixing and mastering, and film processing. The new structure of the television industry hence encompasses a network of small, independent and flexibly specialised production and service companies. Vertical disintegration also enhances product variety because it broadens the scope of the expertise companies can draw on beyond those developed in-house.

Dynamic networks make up the production teams but the organizational context in which these networks operate will influence the conditions in which that process operates and the different levels of reciprocity, trust and inter-firm management required. For any production there is initially a development stage which will lead to a proposal for a new programme or series in the form of script material and costings, with possible talent and design attachments if appropriate. Such development may occur either within a large organization (with a Head of Department asking producers to prepare new programme ideas), or externally, with the proposal being submitted in either an invited or unsolicited format to a department head. Proposals will then be considered for production, with those receiving a commission having to earn the approval of the hierarchy of the Department/Business Unit concerned, as well as the central scheduler if the proposal is being considered by an ITV company for national exhibition. Co-producers are today also likely to be involved in the award of many commissions, providing finance (and hence being awarded some production input) in return for rights such as transmission abroad or a release on videotape.

With a commission awarded (and most proposals will not survive the commissioning stage), the production process is entered into. The multiple phases of pre-production (preparation), production (shooting/recording) and post-production (material assemblage) will occur in sequence. Finally there comes distribution, where broadcast tapes or film prints are utilised in programme transmission either terrestrially or by satellite or cable. Those involved in distribution stage are also likely to incur costs in the capital stock of the required transmission network – the BBC and ITV companies maintaining terrestrial UHF transmitters, for example, and satellite and cable stations their own technology for programme delivery. The potential for flexible specialization in programme delivery is thus extremely limited. Thus, although TV programmes may in future be produced by a wider range of agents and organizations, they will still be distributed by a small number of licensed providers and franchise holders in a given geographic area.

Underpinning these primary value chain stages there are additionally support activities that underpin the whole enterprise – finance, human resource management and financial management. These are likely to be realised in-house by the production company or broadcaster concerned. Across the primary value chain stages, however, flexible specialization now increasingly leads to the outsourcing of many key activities.

The supposed efficiencies in production achieved by such outsourcing have been used as a factor in the criticism of 'the inefficiencies of the established duopoly producers and restrictive labour practices operative in the industry' (Abercrombie et al. 1990: 11). To this end, Channel 4 is frequently presented as a model of cost-effectiveness in TV production. Indeed, one can see the Channel 4 model of commissioning its programmes from independents as the impetus to the government decision to impose 25% quotas for independent production sourcing on both the BBC and ITV companies. Internal BBC producers, and the independent television franchise holders providing programmes for the ITV network, thus no longer enjoy an automatic allocation of time in the BBC and ITV schedules respectively. Instead they now have to compete with the independent producers allocated 25% (or more) of this airtime by cutting their production overheads, buying in productions from outside, and renting out their own facilities to independent producers. Indeed, both the BBC and the ITV companies, if they are to maintain their existing studios and facilities on a production load reduced by 25 per cent, have to attract some of the business that independents will generate and on the basis of reduced costs that compare with Channel 4's. The public service broadcaster faces the dilemma of having to respond to the intensification of competition whilst meeting a wider public service remit.

The interesting issue is then to examine the different managerial and process issues arising in these different flexible specialization contexts to see if more generalisable issues can be identified to improve management practice. Although it is highly likely many of these forms are transitory by looking at the processes and the relationships rather than searching for the long-term organizational form more practical and useful data is likely to emerge for practising managers and those concerned with the regulation of the industry.

What are emerging are flexible TV production networks configured around single projects which dissolve upon project completion. In such configurations, the central core, 'the broker' role, is crucial (Miles/Snow 1986). It is the producer/broker who sustains the network to 'operationalize its ideas', contracting out discrete key activities to its selected periphery nodes (Morgan 1989: 67). One of the key sources of competitive advantage of the UK's television programme production industry has been the central and integrated role of the producer as the professional expert managing the production network. The unique aspect of programme production in the UK has been the integration of the management and production process, described in the Annan Report as the 'production function buried in the managerial process' (Annan 1977: 435). The diffusion of considerable power even within a vertically integrated structure to the producers as the professional expert is a key feature (Curran 1979), which requires preservation in any of the various organizational contexts within the industry if the UK is to retain a global role in this industry.

Networks span the boundary issues of power, influence and trust (Thorelli 1986: 46) and raise communication, exchange and normative issues (Aldrich/ Whetten 1981). Treating flexible specialization as a production paradigm based on small firm

interaction will not get to the homogeneity of the production process when bounded by different organizational contexts and strategic agendas. Looking to the future, complex issues emerge regarding markets, consumer sovereignty, choice, diversity and, above all, quality. For years British television was heralded as the best in the world with most questions within the industry being concerned with making *quality* programmes. Now, however, the questions centre around the pre-production money, the audience, pre-sales deals, and inroads into the American market (Abercrombie et al. 1990: 11). Those arguing for quality warn against this shift of focus toward a 'market-driven' production logic, claiming that truly creative television output, such as major drama and investigative programs, requires the existence of a large internal staff and a continuity of project teams. Autonomous salaried producers, they argue, should thus be left to take risks in the cash-rich environments of the old BBC and ITV regime, with large internal staffs trained on the job without constant restrictions imposed from accountants on high.

The cossetted luxury in which masterpieces may or may not bloom can clearly not be provided by the small independent company 'which is hustling from job to job' and needs the 'immediate cash return' (Lash/Urry 1994: 124). Even so, we may come to discover that functionally departmentalized organization may actually be a prerequisite for the preservation of the 'creative space' necessary for quality in cultural media production but undertaking a flexibly specialised production process with a range of partners both internal and external. The parallel is with research and development in other forms of industry which, some argue, has to be insulated to a certain extent – the actual extent is hotly disputed – from the *day to day* pressures of the market. However, it would indeed prove a crowning irony if the kind of measures claimed to promote increased differentiation and improved product quality in other industries actually brought about the mass production of inferior products in UK TV.

Diversity or Divide?

The new structural model evolving as the TV industry crosses its current 'industrial divide' appears to be based on a flexibly specialised production process at the production level. However, this creative production process is manifested in a range of organizational forms. From Porter's analysis (1985), the television industry can be thought of as a value system made up primarily of the different value chains of programme suppliers and broadcasters. The interface between the production process and the broadcast service is key. Programmes enable broadcasters to realise the potential of a target market. The range of markets accessible to such broadcasters is clearly influenced by the degree of commercial/regulatory freedom they face to seize new market or revenue opportunities. For the broadcaster, the regulatory framework can influence the material that can, or must, be scheduled, the extent of the cross-media ownership synergies that can be realised, the time frame of guaranteed market access, and the potential revenue sources that can be developed.

Content is an eclectic mix of local, national, regional and global. Different broadcasters face different strategic and competitive considerations depending on the

interaction of the different categories of organization and their different levels of regulatory freedom. Traditional terrestrial players tend to be locally and/or nationally responsive, whilst the more global players, such as News Corporation, are seeking a global cost/differentiation strategy. There are also regional segments emerging, as witnessed by the recent alliance between the BBC and the Pearson media group.

By making the distinction between flexible specialisation as a mode of production, permitting creative flexibility, and as an organizational paradigm witnessed via the emergence of networked production structures, an explanation is offered to account for the diversity of organizational forms now witnessed within UK television. At the production level, there are clear moves towards flexible specialization which spans firm boundaries with producers increasingly likely to be found at the nexus points of network webs flexibly drawing together specialist talent, technologies and resources in the most cost effective manner. But this is only half of the story. From a wider perspective, the entire value chains of the media industries are increasingly being dominated by large national and international concerns controlling the rare, and hence precious, media of supply. Incestuous relationships between the publisher-broadcasters in television may therefore prove inevitable, with individual production networks becoming less and less dynamic as protocols, mergers and alliances hold all parties together to the exclusion of the very small producer who will fail to find a stage for their product.

It seems likely that much of the cost saving generated by changes in working practices will be reinvested in acquiring rights to high quality talent and programming. Pressure is now very much upon 'above-the-line budgets', especially the cost of 'marquee talent', i.e. principal cast members, with a proven attraction for the commercial television audience, who are likely to be highly promotable. In parallel, there is subsequently an urgent need to control 'below-the-line' production costs. To facilitate this, an increasing amount of major television drama is being made overseas where it is possible to take advantage of lower production and labour costs and/or subsidies and tax concessions. The cost of producing a programme in Australia, for example, is about 60% of the cost in the UK, making it clear as to why 'Aussie' soaps and co-productions now appear with increasing regularity on UK TV screens. Eastern Europe is also providing a wealth of cheap locations and production crews, with old Russian studios being kept open by US directors making TV movies.

The diverse range of organizational forms emerging in television production – from large-scale vertically-integrated production houses to small-scale specialist service providers – are dependent for their long-term viability not just on cost efficiency, but also upon the ability to produce innovative and creative programmes which are responsive to the commercial demands of broadcasting. By studying the process issues arising from restructuring, rather than seeking to predict the longer-term outcome of organizational change, a richer contextual analysis emerges as to the interaction between modes of production, organizational forms, and their supra-regulatory framework.

Hollywood studios have led the way in showing the world how to fully exploit a global market, first in films, and subsequently in hit television series. In this context, the resource concentrations found within the BBC have long been pointed to as one of its historic strengths (Curran 1979). Different players in the television industry are faced with different levels of commercial freedom and this will influence the type, and range, of material they can broadcast, as well as the markets within which they have the power to compete. The move towards what has been described as a more 'hits driven business' (Blumer 1991: 201), in which key players try to stake a claim in the wider multimedia revolution, does not necessarily imply a move away from innovation. Commercial success and creativity need not be mutually exclusive. The commercial success of Channel Four highlights how innovative programming can tap into a variety of niche audiences, secure market share, and still be commercially viable.

As creative talent is left to fend for itself in the efficiency-hungry marketplace of cut-throat production, the emerging media giants of the 21st century will grow increasingly powerful on the fruits of labours empowered via creative flexibilities reaped at the production level. Indeed, by focusing upon the mode of production in UK television industry, one undoubtedly observes the spread of flexible specialization, with new organizational patterns casting aside the large-scale logic of the traditional mass-market. However, from higher regional and global perspectives, the situation appears very different. Here, the oligopolistic power of the multinational thriving on scale can be wielded most effectively against upstart organizational constructs. Large publisher/commodity broadcaster organizations are thriving upon on the outputs of the flexibly-specialised networks for programme production, yet are maintaining their dominant positions through sheer old-fashioned scale.

At present, publisher-production relationships are still largely contractually defined, in part enforced via regulation, and it remains to be seen if quasi-vertical re-integration will undermine the creative process which is essential to quality programming (Brunsdon 1990). Ring and Van de Ven (1994) point to the important balance between informal and formal processes in successful collaboration rather than stability *per se*. What is of interest now is how the different contexts of flexible specialisation in the UK television industry can meet that need. It may be that the institutional factors necessary to cross an industrial divide will be addressed if the burgeoning distribution capacity results in mediocre content which switches viewers off to more of the same. Successful product development is likely to be the key issue in the next millennium in the media industry, with a variety of new distribution channels becoming more widely available. As a result, the relevance of obtaining a greater understanding of the impact of different flexibility contexts within the programme development process cannot be underestimated.

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